GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:420
ANSWERED ON:23.02.2001
EXPENDITURE REFORMS COMMISSION REPORT ON FOOD SUBSIDY
CHANDRA NATH SINGH

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the Expenditure Reforms Commission`s Report on Food Subsidy has been presentedto the Government on July 10, 2000; and

(b) if so, the details of action taken by Government on the recommendations of the Commission particularly to the suggestion at Point 31 of the Report relating to Gunny charges to reduce Subsidy Bill?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI CHAUHAN)

(a) Yes, Sir.

(b) The details of the recommendations made by the Expenditure Reforms Commission in its report are listed in the Annexure.It will be seen therefrom that Government has accepted and implemented such of the recommendations of the Expenditure Reforms Commission as did not require consultations with State Governments and other Ministries/departments ofthe Central Government. The other recommendations, including the suggestion at point 31 of the report relating to Gunny charges to reduce subsidy bill which require consultations with State Governments and other Ministries/Departments of the Central Government have beenforwarded to them for their comments. Further action on these recommendations would depend on the views/comments to be received from the State Governments and the concerned Ministries/ Departments of the Central Government.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PART (b) OF UNSTARRED QUESTION NO. 420 FOR ANSWER IN THE LOK S ON 23-02-2001

RECOMMENDATIONS OF THE EXPENDITURE REFORMS COMMISSION(ERC) WHICH REQUIRE CONSULTATION STATE GOVERNMENTS/ MINISTRIES/ DEPARTMENTS ETC.

1. The State Governments will have to put in major efforts for identifying the BPLpopulation, giving them ration card and reaching the benefits intended for them in a transparent manner.

2. A national food security buffer stock of 10 million tonnes- 4 million tonnes of wheat and 6 million tonnes of rice should be maintained at all times.

3. The cost of holding the stocks in excess of the requirement for national food security and for PDS due to very generous minimum support prices based procurement policy, could be reflected in the Budget as producers` subsidy rather than consumer subsidy.

4. Inducing the State Governments and the private sector to enter into thefoodgrains trade - procurement, storage as well as including exports, in an organized and big way by moderating the increase in MSP effected every year.

5. Freezing the MSP for paddy/rice and wheat in the forthcoming procurement seasons at the same level as fixed for the last procurement season and accepting the prices recommended by a body of experts like the CACP without making further increases.

6. State Government/private Sector with surplus foodgrains production could be allowed to procure, sell and also export upto 3 million tonnes of rice and 5 million tonnes of wheat every year and also that this policy will remain unchanged for at least 15 years and that in the event of drop in foodgrains` production in any year, domestic consumption requirements would be met through imports.

7. Move towards a procurement price instead of minimum support price that will include the MSP as well as reasonable levels of taxes and other levies that can be imposed by the States, thus leaving it to the States to decide on what they should retain by way of taxes and levies and what should be passed on to the farmers.

8. Encouragement to rice procurement through levy route.

9. There be only one rate as is the case with wheat and that be the common variety alone.

10. Fixation of revised levy price with reference to strict quality standard may be announced before the coming season and levy percentage be fixed anywhere between 50%-70% as the miller may choose.

11. Speedy action to be taken on all cost reduction measures in respect of the Food Corporation of India as may be recommended by the Administrative Staff College of India, whichis currently undertaking a study to suggest ways and means of reducing the economic cost.

12. Use of synthetic bag for procurement of rice.

13. The States which distribute quantities larger than what is allocated under BPL be paid cash instead of supply of foodgrains at subsidized rates for the BPL population. This wouldenable the States to procure the required foodgrains directly or through traders at competitive cost which may work out to be less than the economic cost of the FCI.

14. Only quantities sold through the PDS to APL and BPL population, and allocations made to various welfare schemes and sales at the economic cost, should be taken into account for determining the distribution stocks.

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED AND IMPLEMENTED BY THE GOVERNMENT

15. Freight charges and transit losses to the extent of 1/3rd of the opening stock of buffer in addition to charging in full the transport cost and transit losses to the extent there is accretion to the buffer should be charged to buffer carrying cost as against the present practice of attributing the transportation cost entirely to distribution cost if there is no accretion to the buffer stock in a year.

16. Carry over charges in the form of storage and interest charges paid to the State agencies in the case of wheat for holding stocks beyond 30th June of a year should be charged to the buffer carrying cost instead of being accounted for as a part of pre procurement cost and thus included in the economic cost of wheat.

17. The benefit of stocks procured in the previous years at lower prices should be passed on to the beneficiaries by including it in the economic cost as against determination of the economic cost on the basis of MSP notified for a year.